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DOS & NAVY reviews completed

GENERAL

1. Status of discussions on Germany--The Department of State has informed US Ambassador Douglas that the Department considers it essential to proceed with the completion of the projected agreement on Germany, including adherence to the time schedule for the formation of a provisional German government. The Department therefore instructs Douglas to ascertain British willingness to proceed, without the French if necessary, with the establishment of a provisional government for the bizonal area. Douglas is to continue to impress upon the French that any defection on their part is likely to provoke a strong US congressional reaction and that any rift among the western powers will be exploited by the USSR to the detriment of the US-UK position in Berlin.

Ambassador Douglas reports that in discussions in London on 24 May, the French delegate indicated that the Ruhr paper was satisfactory, that discussions on security were proceeding satisfactorily, and that if the question of German elections could be settled, the only real issue is the timing. Douglas says the French profess to believe that the Soviet reaction to the US program for Germany will be to make an effort to force the western powers out of Berlin. Douglas made it clear to the French delegate that if the USSR should use force for this purpose, the US would reply with force.

US Ambassador Caffery in Paris transmits a report that French Foreign Minister Bidault is in a "panic" because of the unfriendly reaction of the French non-Communist press to the London talks and is especially concerned over the Socialist attitude. Caffery remarks that Bidault seems to fear he has gone too far in meeting the US-UK position and is trying to find a way to crawl out.

UK Foreign Secretary Bevin has told Ambassador Douglas of his plans to send Bidault a personal note saying that Bevin hopes the French will not place him in a position requiring him to proceed with the US alone in the bizonal area. Bevin informed Douglas that the UK would not agree to Bidault's proposal of a US-UK-French meeting on the ministerial level at this time and that the present discussions in London should be pushed to a successful conclusion.

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2. Reactions of diplomats in Moscow to US recognition of Israel--
US Embassy Moscow reports that most western European diplomats in Moscow have expressed disappointment and disapproval of the "reversal of US policy" represented by US recognition of Israel. According to the Embassy, these diplomats feel that the inconclusive outcome of the special meeting of the General Assembly resulted from a failure in US leadership and constitutes a major diplomatic defeat for the US. The Embassy indicates that the Scandinavian representatives, in particular, have interpreted US action with regard to Palestine as indicative of the "undependable" and "irresolute" character of US policy, capable of similar "shifts" in commitments to western Europe and Scandinavia. The Embassy adds that most of the western representatives are convinced that Communist infiltration of the government and armed forces of Israel is already well advanced and that eventual Communist control of the Jewish state is inevitable.
3. De Gaulle demands French general for western defense system--
A French Cabinet minister has informed US Ambassador Caffery that De Gaulle is threatening Premier Schuman with a bitter attack upon the Government if a British general, such as Montgomery, is selected as over-all commander of the ground forces in the western European defense system. According to Caffery's informant, De Gaulle believes that a French general, preferably General Juin, should command the combined ground forces because of the key strategic position of France on the continent. De Gaulle is reportedly willing that a UK leader should have top command of the naval and air forces.

NEAR EAST-AFRICA

4. LEBANON: Conditional release of US internees offered--
US Minister Pinkerton has been informed by the Lebanese Foreign Minister that the Lebanese Government is prepared to release the forty US citizens interned from the MARINE CARP provided arrangements can be made for their direct repatriation to the US. The Foreign Minister told Pinkerton that the internees could not be released if they intend to go to Palestine to join the Jewish forces, "which are making constant commando raids into Lebanon." Pinkerton reports that the internees will be asked whether they are prepared to accept this arrangement.

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FAR EAST

5. **CHINA:** Major political crisis in Kuomintang--US Embassy Nanking comments that the recent struggle within the Kuomintang over the forming of a new cabinet appears to be a major rebellion against the leadership of Chiang Kai-shek. The Embassy says that the naming of Wong Wen-hao to the premiership (following unsuccessful attempts by Chiang to appoint a more prominent individual) signifies that no basic solution has been found for the crisis within the Party. The Embassy further comments that because the present intra-party rebellion has occurred within the inner circle on which Chiang has for years based his strength, it is undoubtedly a more serious revolt than the one Chiang faced in the election of Li Tsung-jen to the vice presidency.
6. **INDONESIA:** Dutch "police action" considered probable--The US Naval Liaison Officer in Batavia reports that tension is increasing between the Dutch and Indonesians and considers that Dutch resumption of "police action" in the near future is much more probable than the reaching of any political agreement. The Naval Liaison Officer comments that the Dutch believe they can now safely put a stop to this "nonsense" because world attention is centered on Palestine.

(CIA Comment: CIA concurs with this estimate. In recent negotiations the Dutch have redoubled their efforts to by-pass the Indonesian Republic, thereby creating the impression in Republican territory that Dutch "police action" is a definite possibility and leading to preparations for guerrilla warfare. The Dutch have consistently underestimated the economic, political, and physical risks of extended operations against the Republic.)

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